

**REPORT OF THE AUDIT OF THE
JESSAMINE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2013**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JESSAMINE COUNTY FISCAL COURT

June 30, 2013

Mountjoy Chilton Medley, LLP has completed the audit of the Jessamine County Fiscal Court for fiscal year ended June 30, 2013.

We have issued an unmodified opinion, based on our audit on the Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of Jessamine County, Kentucky. In accordance with OMB Circular A-133, we have issued an unmodified opinion on the compliance requirements that are applicable to Jessamine County's major federal programs: Community Development Block Grant (CFDA #14.228) and Chemical Stockpile Emergency Preparedness Program (CFDA #97.040).

Financial Condition:

The Jessamine County Fiscal Court had total receipts of \$18,396,867, an increase of \$637,723, disbursements of \$18,570,143, a decrease of \$760,384 and a cash and cash equivalents balance of \$5,388,295, a decrease of \$161,341 from the prior year.

Report Comment:

2013-01 The Jail Lacks Adequate Segregation Of Duties Over Receipts, Expenditures, And Reconciliations

Deposits:

The fiscal court deposits were insured and collateralized by bank securities or bonds.

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To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable William N. Cassity, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of Jessamine County, Kentucky, for the year ended June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1, the financial statement is prepared by Jessamine County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Jessamine County, Kentucky as of June 30, 2013, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash and cash equivalents of Jessamine County, Kentucky as of June 30, 2013, and its cash receipts and disbursements, for the year then ended, in accordance with the financial reporting provisions prescribed or permitted by the Department for Local Government described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statement, in fiscal year 2013, the Jessamine County Fiscal Court adopted new accounting guidance related to accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Our opinion is not modified with respect to this matter.

To the People of Kentucky
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Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Jessamine County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules, capital asset schedule, and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, capital asset schedule, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2014 on our consideration of Jessamine County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comment:

2013-1 The Jail Lacks Adequate Segregation of Duties Over Receipts, Expenditures and Reconciliations.

Respectfully submitted,

Mountjoy Chilton Medley, LLP
March 7, 2014

JESSAMINE COUNTY OFFICIALS

For The Year Ended June 30, 2013

Fiscal Court Members:

Neal Cassity	County Judge/Executive
Burch Hager	Magistrate
Bobby Day Wilson	Magistrate
Terry Meckstroth	Magistrate
Tim Vaughan	Magistrate
Gary Morgan	Magistrate
George Dan	Magistrate

Other Elected Officials:

Brain Goettl	County Attorney
Jon Sallee	Jailer
Eva L. McDaniel	County Clerk
Doug Fain	Circuit Court Clerk
Kevin Corman	Sheriff
Brad Freeman	Property Valuation Administrator
Michael Hughes	Coroner

Appointed Personnel:

Tami East	County Treasurer
Kelly Woolums	Deputy Judge Executive

**JESSAMINE COUNTY FISCAL COURT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS**

For The Year Ended June 30, 2013

JESSAMINE COUNTY FISCAL COURT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS

For The Year Ended June 30, 2013

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 9,315,921	\$	\$
Excess Fees	1,069,235		
Licenses and Permits	226,232		
Intergovernmental	1,035,576	1,748,110	677,512
Charges for Services	245,525		49,182
Miscellaneous	828,497	5,646	54,501
Interest	8,189	278	37
Total Receipts	<u>12,729,175</u>	<u>1,754,034</u>	<u>781,232</u>
DISBURSEMENTS			
General Government	3,596,670		
Protection to Persons and Property	347,229		2,143,169
General Health and Sanitation	1,050,473		
Social Services	424,388		
Recreation and Culture	1,110,264		
Roads		1,304,979	
Other Transportation Facilities and Services	145,423		
Debt Service	229,267		
Capital Projects	229,319	1,264	
Administration	3,523,920	91,084	303,952
Total Disbursements	<u>10,656,953</u>	<u>1,397,327</u>	<u>2,447,121</u>
Excess (Deficiency) of Receipts Over			
Disbursements Before Other			
Adjustments to Cash (Uses)	<u>2,072,222</u>	<u>356,707</u>	<u>(1,665,889)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	975,000	760,000	1,637,620
Transfers To Other Funds	<u>(3,472,028)</u>	<u>(750,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>(2,497,028)</u>	<u>10,000</u>	<u>1,637,620</u>
Net Change in Cash Balances and Cash Equivalents	(424,806)	366,707	(28,269)
Cash Balances and Cash Equivalents - Beginning (Restated)	5,024,216	80,704	40,866
Cash Balances and Cash Equivalents - Ending	<u>\$ 4,599,410</u>	<u>\$ 447,411</u>	<u>\$ 12,597</u>

The accompanying notes are an integral part of the financial statement.

JESSAMINE COUNTY FISCAL COURT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS
For The Year Ended June 30, 2013
(Continued)

<u>Budgeted Funds</u>		<u>Unbudgeted Funds</u>		
Local Government Economic Assistance Fund	Emergency Services Fund	AOC Escrow	Jail Commissary Fund	Total Funds
\$	\$ 421,761	\$	\$	\$ 9,737,682
				1,069,235
				226,232
126,543	186,758	112,600		3,887,099
132,225	2,045,428			2,472,360
	29,405		77,378	995,427
213	115			8,832
<u>258,981</u>	<u>2,683,467</u>	<u>112,600</u>	<u>77,378</u>	<u>18,396,867</u>
55,730				3,652,400
	2,849,746			5,340,144
				1,050,473
				424,388
91,761			84,401	1,286,426
137,750				1,442,729
				145,423
		112,897		342,164
				230,583
	<u>736,457</u>			<u>4,655,413</u>
<u>285,241</u>	<u>3,586,203</u>	<u>112,897</u>	<u>84,401</u>	<u>18,570,143</u>
<u>(26,260)</u>	<u>(902,736)</u>	<u>(297)</u>	<u>(7,023)</u>	<u>(173,276)</u>
225,000	849,408			4,447,028
<u>(225,000)</u>				<u>(4,447,028)</u>
	<u>849,408</u>			
(26,260)	(53,328)	(297)	(7,023)	(173,276)
255,461	64,934	53,366	42,024	5,561,571
<u>\$ 229,201</u>	<u>\$ 11,606</u>	<u>\$ 53,069</u>	<u>\$ 35,001</u>	<u>\$ 5,388,295</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2013

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Jessamine County includes all budgeted and unbudgeted funds under the control of the Jessamine County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation created to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual (See Note 11.).

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**JESSAMINE COUNTY FISCAL COURT
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related expenditures. The primary sources of receipts for this fund are grants from the state and federal governments.

Emergency Services Fund - The primary purpose of this fund is to account for receipts for the County's ambulance runs and funds received from the state for emergency services.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

AOC Escrow - The purpose of this fund is to account for receipts from the Administrative Office of the Courts used to offset the County's required payments on its debt related to the Courthouse Annex.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**JESSAMINE COUNTY FISCAL COURT
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jessamine County Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

The State Local Finance Officer does not require the AOC Escrow Fund. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. 2013 Jessamine County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Jessamine County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Jessamine County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**JESSAMINE COUNTY FISCAL COURT
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

A. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2013, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2013.

	General Fund	Road Fund	LGEA Fund	Emergency Services Fund	Total Transfers In
General Fund	\$	\$ 750,000	\$ 225,000	\$	\$ 975,000
Road Fund	760,000				760,000
Jail Fund	1,637,620				1,637,620
LGEA Fund	225,000				225,000
Emergency Services Fund	849,408				849,408
Total Transfers Out	<u>\$ 3,472,028</u>	<u>\$ 750,000</u>	<u>\$ 225,000</u>	<u>\$</u>	<u>\$ 4,447,028</u>

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

**JESSAMINE COUNTY FISCAL COURT
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)**

Note 4. Trust Funds

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2013 was \$17,033.

Note 5. Long-term Debt

A. Courthouse Annex

On July 3, 1997, the Jessamine County Fiscal Court entered into a twenty-year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$1,700,000 at an assumed interest rate of 4.91% for construction of the Courthouse Annex. Payments of interest and fees are due monthly with an annual principal payment due on January 20.

The Jessamine County Fiscal Court entered into a sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (AOC); in which (AOC) sublet the Courthouse Annex. Under the agreement, AOC agreed to offset the County's commitment through payment of a use allowance for operating and maintaining the project. Lease payments from AOC are deposited into an interest bearing Sinking Fund account. Interest earned on this account reduces the net amount due from the County.

The remaining principal balance on the agreement at June 30, 2013 was \$488,000. Annual debt service requirements to maturity for the lease and the AOC lease payments expected to offset the obligation are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest	Total Payment	Expected AOC Payments	Net Amount Due From County
2014	\$ 113,000	\$ 26,176	\$ 139,176	\$ 112,600	\$ 26,576.00
2015	119,000	15,973	134,973	112,600	22,373
2016	125,000	12,106	137,106	112,600	24,506
2017	131,000	4,537	135,537	112,600	22,937
2018					
Totals	<u>\$ 488,000</u>	<u>\$ 58,792</u>	<u>\$ 546,792</u>	<u>\$ 450,400</u>	<u>\$ 96,392</u>

JESSAMINE COUNTY FISCAL COURT
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 5. Long-term Debt (Continued)

B. Cassity Governmental Building #1

On November 27, 2007, the Jessamine County Fiscal Court entered into a twenty-year lease with the Kentucky Association of Counties Leasing Trust Program in the amount of \$500,000 at an assumed interest rate of 4.63% for the construction and renovation of a county administrative building. Payments of interest and fees are due monthly with an annual principal payment due on July 20.

The remaining principal balance as of June 30, 2013 was \$415,000. Annual debt service requirements to maturity for the lease are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 20,000	\$ 18,301
2015	20,000	17,395
2016	20,000	16,491
2017	25,000	15,378
2018	25,000	14,247
2019-2023	135,000	53,625
2024-2028	<u>170,000</u>	<u>17,914</u>
Totals	<u>\$ 415,000</u>	<u>\$ 153,351</u>

C. Cassity Governmental Building #2

On May 5, 2008, the Jessamine County Fiscal Court entered into another twenty-year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$1,000,000 at an assumed interest rate of 4.53% to cover the additional costs of the construction and renovation of the county administrative building. Payments of interest and fees are due monthly with an annual principal payment due on September 20. The remaining principal balance as of June 30, 2013 was \$820,000. Annual debt service requirements to maturity for the lease are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 40,000	\$ 35,154
2015	40,000	33,396
2016	45,000	31,479
2017	45,000	29,502
2018	50,000	27,362
2019-2023	270,000	102,566
2024-2028	<u>330,000</u>	<u>35,707</u>
Totals	<u>\$ 820,000</u>	<u>\$ 295,166</u>

JESSAMINE COUNTY FISCAL COURT
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 5. Long-term Debt (Continued)

D. Energy Conservation

On March 22, 2011, the Jessamine County Fiscal Court entered into ten year lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$599,788 at an assumed interest rate of 4.25% to finance the acquisition, construction, installation, and equipping of energy savings projects including new windows and HVAC systems. Principal and interest payments are due monthly.

The remaining principal balance as of June 30, 2013 was \$464,836. Annual debt service requirements to maturity for the lease are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 59,979	\$ 20,621
2015	59,979	17,794
2016	59,979	15,005
2017	59,979	12,138
2018	59,979	9,310
2019-2021	<u>164,941</u>	<u>11,032</u>
Totals	<u>\$ 464,836</u>	<u>\$ 85,900</u>

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 2,414,814		\$ 226,978	\$ 2,187,836	\$ 232,979
Total Long-term Debt	<u>\$ 2,414,814</u>	<u>\$</u>	<u>\$ 226,978</u>	<u>\$ 2,187,836</u>	<u>\$ 232,979</u>

JESSAMINE COUNTY FISCAL COURT
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 19.55 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 37.60 percent.

The county's contribution for FY 2011 was \$1,540,902, FY 2012 was \$1,823,501, and FY 2013 was \$1,904,782.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

**JESSAMINE COUNTY FISCAL COURT
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)**

Note 6. Employee Retirement System (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

The Jessamine County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2013, Jessamine County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Insurance Commitments and Contingencies

The County is involved in multiple lawsuits that arose from the normal course of doing business. While individually they may not be significant; in the aggregate, they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

**JESSAMINE COUNTY FISCAL COURT
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)**

Note 10. Change in Basis of Accounting and Prior Period Adjustments

Jessamine County, Kentucky, has changed its basis of accounting from presenting its financial statements in accordance with the modified cash basis of accounting and relevant Government Accounting Standards Board (GASB) pronouncements to the regulatory basis of accounting as prescribed or permitted by the Department for Local Government and the laws of the Commonwealth of Kentucky. The net effects was a decrease to the beginning balance of the General Fund by \$243,611 and increase the balance of Local Government Economic Assistance fund by \$ 255,461, respectfully on the *Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents -Regulatory Basis*.

Note 11. Prior Period Adjustments

The beginning cash balance for the General Fund decreased by \$243,611 due to \$255,461, being allocated to Local Government Economic Assistance Fund, which was included with the general fund in the prior year; additionally, \$11,850 of voided checks were added to the balance. The Emergency Services Fund beginning cash balance increased \$85 due to prior year voided checks being added back to the balance.

Note 12. Subsequent Event

Beginning in fiscal year 2014, Jessamine County elected to participate in a partially self-funded health insurance plan. Medben is the third party administrator. Jessamine County also elected to purchase a stop-loss insurance policy to cover losses from individual and aggregate claims once the county reached the individual and aggregate attachment points. Employees are required to assume liability for claims in excess of maximum lifetime reimbursements established by the insurance company.

This partially self-funded insurance plan has two distinct components that the fiscal court must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the county's claims exposure on an individual and aggregate basis.

**JESSAMINE COUNTY FISCAL COURT
SUPPLEMENTARY SCHEDULES
Supplementary Information - Regulatory Basis**

For The Year Ended June 30, 2013

**JESSAMINE COUNTY FISCAL COURT
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis**

For The Year Ended June 30, 2013

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 8,683,150	\$ 8,683,150	\$ 9,315,921	\$ 632,771
Excess Fees	972,742	972,742	1,069,235	96,493
Licenses and Permits	116,700	116,700	226,232	109,532
Intergovernmental Revenue	1,236,950	1,326,216	1,035,576	(290,640)
Charges for Services	200,075	200,075	245,525	45,450
Miscellaneous	659,068	659,068	828,497	169,429
Interest	19,000	19,000	8,189	(10,811)
Total Revenues	<u>11,887,685</u>	<u>11,976,951</u>	<u>12,729,175</u>	<u>752,224</u>
DISBURSEMENTS				
General Government	4,183,113	4,294,307	3,596,670	697,637
Protection to Persons and Property	451,918	474,395	347,229	127,166
General Health and Sanitation	900,148	1,106,471	1,050,473	55,998
Social Services	434,385	437,385	424,388	12,997
Recreation and Culture	1,137,659	1,204,779	1,110,264	94,515
Other Transportation Facilities and Services	178,204	178,204	145,423	32,781
Debt Service	229,267	229,367	229,267	100
Capital Projects	791,000	826,741	229,319	597,422
Administration	4,969,116	4,612,427	3,523,920	1,088,507
Total Expenditures	<u>13,274,810</u>	<u>13,364,076</u>	<u>10,656,953</u>	<u>2,707,123</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,387,125)</u>	<u>(1,387,125)</u>	<u>2,072,222</u>	<u>3,459,347</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			975,000	975,000
Transfers To Other Funds	<u>(3,445,000)</u>	<u>(3,445,000)</u>	<u>(3,472,028)</u>	<u>(27,028)</u>
Total Other Adjustments to Cash (Uses)	<u>(3,445,000)</u>	<u>(3,445,000)</u>	<u>(2,497,028)</u>	<u>947,972</u>
Net Change in Cash and Cash Equivalents	(4,832,125)	(4,832,125)	(424,806)	4,407,319
Cash and Cash Equivalents Balances - Beginning (Restated)	<u>4,832,125</u>	<u>4,832,125</u>	<u>5,024,216</u>	<u>192,091</u>
Cash and Cash Equivalents Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 4,599,410</u>	<u>\$ 4,599,410</u>

**JESSAMINE COUNTY FISCAL COURT
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)**

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$	\$	\$	\$
Intergovernmental Revenue	1,051,979	1,366,979	1,748,110	381,131
Miscellaneous	500	500	5,646	5,146
Interest	100	100	278	178
Total Revenues	<u>1,052,579</u>	<u>1,367,579</u>	<u>1,754,034</u>	<u>386,455</u>
DISBURSEMENTS				
Roads	1,200,265	1,515,265	1,304,979	210,286
Capital Projects	100,000	100,000	1,264	98,736
Administration	147,910	147,910	91,084	56,826
Total Expenditures	<u>1,448,175</u>	<u>1,763,175</u>	<u>1,397,327</u>	<u>365,848</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(395,596)</u>	<u>(395,596)</u>	<u>356,707</u>	<u>752,303</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	335,000	335,000	760,000	425,000
Transfers To Other Funds			(750,000)	(750,000)
Total Other Adjustments to Cash (Uses)	<u>335,000</u>	<u>335,000</u>	<u>10,000</u>	<u>(325,000)</u>
Net Change in Cash and Cash Equivalents	(60,596)	(60,596)	366,707	427,303
Cash and Cash Equivalents Balances - Beginning	<u>60,596</u>	<u>60,596</u>	<u>80,704</u>	<u>20,108</u>
Cash and Cash Equivalents Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 447,411</u>	<u>\$ 447,411</u>

**JESSAMINE COUNTY FISCAL COURT
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)**

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental Revenue	\$ 498,250	\$ 498,250	\$ 677,512	\$ 179,262
Charges for Services	53,400	53,400	49,182	(4,218)
Miscellaneous	34,500	34,500	54,501	20,001
Interest	50	50	37	(13)
Total Revenues	<u>586,200</u>	<u>586,200</u>	<u>781,232</u>	<u>195,032</u>
DISBURSEMENTS				
Protection to Persons and Property	2,170,477	2,170,477	2,143,169	27,308
Administration	343,755	343,755	303,952	39,803
Total Expenditures	<u>2,514,232</u>	<u>2,514,232</u>	<u>2,447,121</u>	<u>67,111</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,928,032)</u>	<u>(1,928,032)</u>	<u>(1,665,889)</u>	<u>262,143</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,870,000</u>	<u>1,870,000</u>	<u>1,637,620</u>	<u>(232,380)</u>
Total Other Adjustments to Cash (Uses)	<u>1,870,000</u>	<u>1,870,000</u>	<u>1,637,620</u>	<u>(232,380)</u>
Net Change in Cash and Cash Equivalents	(58,032)	(58,032)	(28,269)	29,763
Cash and Cash Equivalents Balances - Beginning	<u>58,032</u>	<u>58,032</u>	<u>40,866</u>	<u>(17,166)</u>
Cash and Cash Equivalents Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 12,597</u>	<u>\$ 12,597</u>

**JESSAMINE COUNTY FISCAL COURT
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)**

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$	\$	\$	\$
Intergovernmental Revenue	120,000	131,000	126,543	(4,457)
Miscellaneous	125,000	125,000	132,225	7,225
Interest	100	100	213	113
Total Revenues	<u>245,100</u>	<u>256,100</u>	<u>258,981</u>	<u>2,881</u>
DISBURSEMENTS				
General Government	55,500	55,500	55,730	(230)
Recreation and Culture	23,350	34,350	91,761	(57,411)
Roads	196,250	196,250	137,750	58,500
Total Expenditures	<u>275,100</u>	<u>286,100</u>	<u>285,241</u>	<u>859</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(26,260)</u>	<u>3,740</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			225,000	225,000
Transfers To Other Funds			(225,000)	(225,000)
Total Other Adjustments to Cash (Uses)				
Net Change in Cash and Cash Equivalents	(30,000)	(30,000)	(26,260)	3,740
Cash and Cash Equivalents Balances - Beginning (Restated)	<u>30,000</u>	<u>30,000</u>	<u>255,461</u>	<u>225,461</u>
Cash and Cash Equivalents Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 229,201</u>	<u>\$ 229,201</u>

**JESSAMINE COUNTY FISCAL COURT
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)**

EMERGENCY SERVICES FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 420,000	\$ 420,000	\$ 421,761	\$ 1,761
Intergovernmental Revenue	186,000	186,000	186,758	758
Charges for Services	1,816,000	1,816,000	2,045,428	229,428
Miscellaneous	500	500	29,405	28,905
Interest	500	500	115	(385)
Total Revenues	<u>2,423,000</u>	<u>2,423,000</u>	<u>2,683,467</u>	<u>260,467</u>
DISBURSEMENTS				
Protection to Persons and Property	2,962,280	2,933,294	2,849,746	83,548
Administration	762,664	791,650	736,457	55,193
Total Expenditures	<u>3,724,944</u>	<u>3,724,944</u>	<u>3,586,203</u>	<u>138,741</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,301,944)</u>	<u>(1,301,944)</u>	<u>(902,736)</u>	<u>399,208</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,240,000	1,240,000	849,408	(390,592)
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)	<u>1,240,000</u>	<u>1,240,000</u>	<u>849,408</u>	<u>(390,592)</u>
Net Change in Cash and Cash Equivalents	(61,944)	(61,944)	(53,328)	8,616
Cash and Cash Equivalents Balances - Beginning (Restated)	<u>61,944</u>	<u>61,944</u>	<u>64,934</u>	<u>2,990</u>
Cash and Cash Equivalents Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 11,606</u>	<u>\$ 11,606</u>

JESSAMINE COUNTY FISCAL COURT
NOTES TO SUPPLEMENTARY INFORMATION

June 30, 2013

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**JESSAMINE COUNTY FISCAL COURT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**JESSAMINE COUNTY FISCAL COURT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Fiscal Year Ended June 30, 2013

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Federal CFDA #</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
 <u>U.S. Environmental Protection Agency</u>			
Special Appropriations Water Infrastructure Grant	66.468	Direct	\$ 204,092
 <u>U.S. Department of Housing and Urban Development</u>			
Passed-Through Kentucky Department for Local Government Community Development Block Grant	14.228*		261,250
 <u>U.S. Department of Homeland Security</u>			
Passed-Through Kentucky Department of Military Affairs			
Chemical Stockpile Emergency Preparedness Program	97.040*	PON2 095 0800007886 3	<u>187,064</u>
Total Expenditures of Federal Awards			<u><u>\$ 652,406</u></u>

*: Major Program Tested

JESSAMINE COUNTY FISCAL COURT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2013

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Jessamine County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Determination of Major Program

The Type A program for the fiscal court is any program for which total expenditures of federal awards exceed \$300,000 for fiscal year 2013 or were deemed high risk. There was no Type A programs. The major programs tested were:

Community Development Block Grant –	CFDA 14.228
Chemical Stockpile Emergency Preparedness Program -	CFDA 97.040

Note 3 - Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2013.

**JESSAMINE COUNTY FISCAL COURT
SUPPLEMENTARY SCHEDULE
Other Information - Regulatory Basis
For The Year Ended June 30, 2013**

**JESSAMINE COUNTY FISCAL COURT
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis**

For The Year Ended June 30, 2013

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Improvements	\$ 3,477,346	\$	\$	\$ 3,477,346
Buildings and Building Improvements	18,550,729	99,427	50,100	18,600,056
Other Equipment (restated)	3,304,790	307,267	31,996	3,580,061
Vehicles and Equipment	2,799,640	182,491	213,603	2,768,528
Vehicles and Equipment - Jail	83,671		26,122	57,549
Infrastrure	50,843,298	813,077		51,656,375
Total Capital Assets	<u>\$ 79,059,474</u>	<u>\$ 1,402,262</u>	<u>\$ 321,821</u>	<u>\$ 80,139,915</u>

JESSAMINE COUNTY FISCAL COURT
NOTES TO OTHER INFORMATION

June 30, 2013

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	25,000	10-75
Machinery and Equipment	2,500	3-25
Vehicles	2,500	3-25
Infrastructure	20,000	10-50

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable William N. Cassity, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of the Jessamine County Fiscal Court for the fiscal year ended June 30, 2013, and the related notes to the financial statement and have issued our report thereon dated March 7, 2014. The Jessamine County Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Jessamine County Fiscal Court's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Jessamine County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jessamine County Fiscal Court's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2013-01 to be a material weakness.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comment and recommendation, we identified a certain deficiency in internal control that we consider to be a material weakness.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Jessamine County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

County Judges' Response to Findings

The Jessamine County Judge's response to the finding identified in our audit is described in the accompanying comment and recommendation. The County Judge's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Mountjoy Chilton Medley, LLP
March 7, 2014

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable William N. Cassity, Jessamine County Judge/Executive
Members of the Jessamine County Fiscal Court

Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133

Independent Auditor's Report

Compliance

We have audited the compliance of Jessamine County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement that could have a direct and material effect on each of Jessamine County's major federal programs for the year ended June 30, 2013. Jessamine County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Jessamine County's major federal programs based on our audits of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jessamine County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Jessamine County's compliance.

Opinion

In our opinion, Jessamine County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Report on Internal Control over Compliance

Management of Jessamine County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our compliance audit, we considered Jessamine County 's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our compliance auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jessamine County 's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Restricted Use

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Mountjoy Chilton Medley, LLP
March 7, 2014

**JESSAMINE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2013

**JESSAMINE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the statement of Receipts, Disbursements, and Changes in Cash Balance and Cash Equivalents – Regulatory Basis of Jessamine County.
2. One material weakness and no significant deficiencies relating to the audit of the financial statement are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statement of Jessamine County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Jessamine County expresses an unmodified opinion.
6. There are no findings relative to the major federal awards programs for Jessamine County reported in Part C of this schedule.
7. The programs tested as major programs were: *Community Development Block Grant (CFDA 14.228)* and *Chemical Stockpile Emergency Preparedness Program (CFDA 97.040)*.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Jessamine County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

STATE LAWS AND REGULATIONS

None.

INTERNAL CONTROL - MATERIAL WEAKNESSES

1. 2013-01 The Jail Lacks Adequate Segregation Of Duties Over Receipts, Expenditures, and Reconciliations

During the audit, we noted the employee primarily responsible for handling receipts and disbursements also records the receipts and disbursements in the ledgers, posts to the ledger, and balances the ledgers to the bank. In addition, the employee prepares the bank deposit, performs the monthly bank reconciliation, and completes the annual financial report. The auditor also noted that expenditures were paid without any documentation/approval by the jailer. By the same employee primarily performing these functions, the risk that errors or fraud may go undetected increases.

Segregation of duties over receipts and disbursements or implementation of compensating controls, when needed due to limited staff, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and/or misappropriation of assets. Due to the limited number of employees, the jail has a lack of adequate segregation of duties over receipts and disbursements.

**JESSAMINE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2013
(Continued)**

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

INTERNAL CONTROL – MATERIAL WEAKNESS (Continued)

To adequately protect employees in the normal course of performing their duties, and/or prevent inaccurate financial reporting or misappropriation of assets, we are recommending that the Jailer segregate duties or implement strong oversight over these areas, either by an employee independent of those functions or by the jailer performing compensating controls such as:

- The Jailer should compare supporting documentation to payments. Jailer could document this by initialing the supporting documentation.
- The Jailer should compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Jailer could document this by initialing the bank reconciliation and the balance in the checkbook.

County Judge/Executive Cassity's Response: No response.

County Jailer's Response: The Jailer understands the importance of segregated duties but with limited number of employees this does cause multi-tasking for some employees. The Jailer will assign more bookkeeping tasks to the Chief Deputy to share with administration. The Jailer did sign off on bank statements, year-end reports and most receipts but will also make sure checkbook balances and reconciliations are signed. Bank will be notified to order double signature checks so Jailer can sign each check and match checks to all bills.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

JESSAMINE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2013**

Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
JESSAMINE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2013

The Jessamine County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

County Judge/Executive

County Treasurer